



IN THE TRANSITION PHASE OF FASHION SHOPPING: DIFFERENCES IN SHOPPING EXPERIENCE AND VALUE CREATION BETWEEN ONLINE AND PHYSICAL STORES

Developing physical clothing retailers in Finland

Katri Teräsniska

International Business
Bachelor's Thesis
Supervisor: Maria Elo
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Objectives

The main objectives of this study were to make a comparison between physical and online clothing retailers in terms of consumer experience and value creation, as well as explore and discuss how these differences could be used to increase the relevance of physical stores now and in the future. In addition, the study provides useful insights into the current state of fashion shopping and its meaning for consumers.

Summary

Fashion shopping is in a transition phase, as online stores are increasingly gaining popularity meanwhile physical stores have started to lose their grip and now struggle to compete with online retailers. By reviewing existing literature and conducting qualitative semi-structured interviews, this study explores how the physical shopping experience naturally differs from online shopping, and how retailers could take advantage of these differences to co-create more value with the customers. A conceptual framework is also proposed for the relationship between different channels, value creation and shopping experience.

Conclusions

Although most fashion shopping seems to be still done in brick-and-mortar, people are starting to adapt online shopping more and more. Meanwhile the possibility to try, touch and feel the clothes seems to clearly be the main thing that attracts people to physical stores in addition to service, a larger variety of clothes and different stores as well as convenience drives people to shop online. Furthermore, different discounts and sales exclusive to physical stores seem to be a preferred method that would attract consumers to visit physical stores more often. Also, the behavior seems to differ depending on the perceived availability of physical stores.

Key words: *value creation, customer experience, fashion industry, brick-and-mortar stores, online stores*

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1. INTRODUCTION

1.1. Background

The emerge of online stores has led to a situation where people increasingly purchase their goods and services online rather than in physical, brick-and-mortar stores. The overall web of shopping channels is in a transition phase, with most clothing retailers starting to operate both online and offline distribution channels simultaneously or purely basing their operations on online networks. To show the significance of the shift, the total retail e-commerce sales worldwide rose from \$1336 billion in 2014 to \$2305 billion in 2017, with the future promising even steeper rises (Statista, 2018).

In order to remain relevant, physical stores should evolve into responding to the consumers' more advanced needs and wants, and research should support this by giving insights into the current state of fashion shopping and especially its meaning to customers, alongside with ways to co-create value with the customers more effectively. In today's customer-centric markets the shopping experience plays a very important role, and especially physical stores should put more focus in finding new ways to improve it further.

1.2. Research problem

Although one of the slowest sectors in adapting online shopping, new technologies have enabled fashion shopping to become the fastest-growing online category of goods bought (in the UK; Blázquez, 2014), which inevitably will change the way the industry works in the future. As new technologies arise to make the online shopping experience more advanced and improved, physical stores seem to lag behind without a proper response to the increased competition. Most stores have started using multiple channels instead of just one, but in addition to going online, brick-and-mortar retailers should develop their in-store experience and come up with ways in which they could create more value to and with the customers.

1.3. Research questions

To approach the research problem defined above, the following three research questions have been formed:

1. Which factors affect the fashion shopping experience in online and physical clothing retail stores, and what are the differences between the two?
2. What is the difference between the value that online and physical fashion retail stores create?
3. How can the differences in shopping experience and value creation be used to develop physical clothing retailers in order to keep up with the increased expectations and competition?

1.4. Research objectives

In order to address the aforementioned questions, these three research objectives have been established:

1. Find and determine the factors of shopping experience in online and physical fashion retail stores and explore the differences and their meaning.
2. Explore the types of value and modes of value creation in online and physical clothing retail stores.
3. Discuss how the differences in shopping experience and value creation between online and physical fashion retailers could be used to physical stores' advantage in order to increase their competence and attractiveness.

1.5. Structure of the thesis

Following the introduction where the background, research problem, questions and objectives are presented, the structure of the rest of the document will be divided into five main sections, which are as follows. Firstly, the literature review goes through existing literature on consumer shopping experience and value creation. It is closed with a proposed conceptual framework for the thesis, which serves as the foundation for the empirical analysis of the topic. Next, the research methodology is explained, followed by the findings from the conducted primary research, semi-structured consumer interviews. The discoveries are then discussed and analysed further while being compared to existing literature. Finally, conclusions are made with managerial implications, implications to international business, limitations and further research being considered.

2. LITERATURE REVIEW

2.1. Introduction

During the last few decades the role of physical stores has been evolving as the shift to online steeply increases the popularity of e-commerce. The web of purchasing possibilities and channels is in a transition phase, as many clothing retailers have started to operate both online and physical stores simultaneously or purely based their operations online. To illustrate, the share of e-commerce in retail globally has increased from 7,4% in 2015 to 13,7% already in 2019 (Statista, 2019). Although fashion industry has been slower than other sectors in adopting e-commerce, new technologies have improved the online shopping experience, leading it to be the fastest-growing online category of goods bought (in the United Kingdom; Blázquez, 2014). Consumers also use physical stores as a means to test or see a product, making the final purchase online even in another store (Skrovan, 2017), meanwhile the costs of keeping the products in physical stores stay the same. This can be a real threat to the brick-and-mortar stores, as the online stores are taking the share from them.

However, the obvious majority of fashion retail sales are still done in physical, brick-and-mortar stores, and today it is especially important to develop the stores to attract customers in the future as well. One particularly important aspect is the in-store retail experience, how it naturally differs from online experience and how those differences could be used to increase the relevance and meaning of brick-and-mortar stores. One part of the experience is value creation – how the stores could evolve into bringing more value to the consumers – which should be researched further to understand new ways of delivering and co-creating value in today's customer-centric markets.

This literature review is going to take a look into the existing literature on customer shopping retail experience and value creation in retail stores, comparing online and physical retail stores with the focus on fashion retail and possibilities of improvement for physical stores.

2.2. Consumer shopping experience

2.2.1. Motivations for shopping

Consumers' motivation for shopping depends on various different factors, such as the needs, situation, purchasing power, habits and language. Various previous studies divide the shopping need into two categories: hedonism-based, in which the purpose of shopping is shopping itself, and utilitarianism-based, in which the shopping is need-based acquirement of goods (Babin et al., 1994; Childers et al., 2001; Scarpi et al., 2014). Hedonistic shopping is described as the experiential, aesthetic and multisensory way of shopping, reflecting the side of shopping comprising curiosity, pleasure, fantasy and fun (Hirschman & Holbrook, 1982, Scarpi et al., 2014). On the other hand, utilitarianism is described as rational, task-related and efficient goods acquisition, with the focus of shopping being in the product itself with its functional attributes and features (Babin et al., 1994; Childers et al., 2001; Scarpi et al., 2014). Judgements are made on the product's ability to help accomplish a goal rather than its ability to bring pleasure or excitement.

This division into two separate shopping needs and values can be slightly misleading, as all motivations can be described as containing both utilitarian and hedonic elements (Arnold &

Reynolds, 2003). However, Westbrook and Black (1985) notice that some motivations clearly are more utilitarian and some more hedonic in nature. It should also be noted that as motivation consists of hypothetical and unobservable psychological constructs (Westbrook & Black, 1985), it is relatively difficult to accurately measure. Emotions and personalities also vary greatly between people with their motivations being quite individual, and therefore a too broad generalisation should not be made.

In addition to hedonism and utilitarianism, shopping motivations have been divided into different types by for example Tauber (1972), who developed a theory of multiple different shopping motivations. Tauber (ibid) highlights that the shoppers are motivated by a great variety of psychosocial needs beyond just those closely related to good acquisition. These motives are classified into personal (role playing, diversion, self-gratification, learning about new trends, physical activity and sensory stimulation) and social (social experiences, communication with others, peer group attractions, status and authority and pleasure for bargaining) (ibid). Meanwhile personal and social aspects have been agreed on being important and distinctive, for example Westbrook and Black (1985) notify that Tauber's theory neglects some significant factors, such as the anticipation of utility or satisfaction, and "choice optimization", feeling of achievement or mystery in shopping.

2.2.2. Customer experience

Historically, customer experience has not been considered as a separate construct, but researchers have focused on measuring things like customer satisfaction, service quality and effects of atmospherics instead (e.g. Parasuraman et al., 1988; Verhoef et al., 2009; Poncin & Mimoun, 2014). However, for example Kotler (1973) emphasised the significance of atmospherics in the shopping process, arguing it to sometimes even being the primary product, and Holbrook and Hirschmann (1982) recognized consumption to have experiential aspects. Nowadays the research in shopping experience is already quite extensive (e.g. Grewal et al, 2017), as the focus of retailing has evolved from product-based to customer-centric and experience has become the main focus for retailers.

In order to take a look into the different aspects of shopping experience, it is necessary to give a definition of the concept. As a very multidimensional concept, it has different

components depending on the study and purpose. One definition distinguishes the idea of experiences separate from goods and services, as if the consumer pays the company to stage an event “to engage him (sic) in an inherently personal way” (Pine & Gilmore, 1998: 3). Carú and Cova (2007), on the other hand, argue that instead of staging or selling an event, companies provide contexts that are conducive of experiences and that invite consumers to co-create their own, unique experiences. Grewal et al. (2009) suggest that the retail- or marketing mix (i.e., price experience, promotion experience) could be used to categorize customer experiences. Other researchers have taken a broader perspective, considering customer experience as holistic in nature, comprising the customer’s cognitive, emotional, sensory, social and spiritual responses to all interactions with a firm (e.g. Gentile et al., 2007; Bolton et al., 2014; Lemon & Verhoef, 2016). Gentile et al. combined some relatively recent definitions of the customer experience into a broad definition, which will also be used in this review:

The customer experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly personal and implies the customer's involvement at different levels (rational, emotional, sensorial, physical, and spiritual) (2007: 397).

Being holistic, the experience is created by factors that the retailer can control, such as the service interface, atmosphere and price, as well as factors out of the retailer’s control, such as the influence of others and the purpose of shopping (Verhoef et al., 2009). Especially interesting in today’s world is the influence of others, as for instance social media and fashion blogs enable broad access to other people’s reviews, opinions and attitudes on products, in addition to commercial collaborations being a part of most social media channels. Furthermore, Verhoef et al. (2009) add that the construct includes the experience in total, including the search, purchase, consumption, and after-sale phases of the experience and even multiple different retail channels. Researchers have only quite recently started to focus on the holistic, multi- or omni-channel consumer experience, while managers have started to improve all the different aspects of consumer experience instead of just focusing on e.g. the service quality.

Research has identified numerous different moderators of the customer experience, such as store atmospherics (music, color, scent, crowding) (Poncin & Mimoun, 2014), price

(Baker et al., 2002), perceived quality, channel (Neslin et al., 2006), social environment (Baker et al., 2002) including both the personnel and other customers, and past customer experiences (Verhoef et al., 2009). Further, Gentile et al. (2007) divide the dimensions of customer experience to six components: sensorial (sight, hearing, touch, smell and taste), emotional (generation of moods, feelings and emotions), cognitive (engaging in thinking, creativity and problem-solving), pragmatic (e.g. usability), lifestyle (affirmation of the system of values and beliefs) and relational (e.g. social context, relationship to others or ideal self). The proposed dimensions mainly follow previous works in the field and provide a clear overview of the multidimensional nature of customer experience.

2.2.3. In-store experience

What matters the most in the in-store fashion retail experience is the overall, holistic shopping experience created by multiple different factors and activities, including much more than simply good acquisition. In addition to environment and its design, factors contributing to the consumers' behavioural responses include for instance the service personnel and their actions, how you felt while you were shopping, store location (perceived proximity and context), emotional attributes and visual presentation (e.g. Andreu et al, 2006; Song, 2009). The store experience is of great importance in generating value perceptions in retailing (Kerin et al., 1992), and especially in the fashion industry, it is the main way of providing value to the customers.

Of great significance in the fashion retail in-store experience plays the role of atmospherics (retail layout and environment), which Kotler (1973), the marketing research pioneer, defines as the conscious designing of space to create certain emotional effects in buyers that increase their purchase probability. The relationship between atmospherics and consumer behaviour has previously been shown by Turley and Milliman (2000) and Baker et al. (2002), who together listed more than 60 studies establishing it. That is one of the major advantages physical stores have over online stores, as consumers get to touch and try on, taste, see, smell and hear (Lund, 2015) the products and the overall retail environment created by different factors. Puccinelli et al. (2009), building on Baker et al. (2002) divided cues to three primary sets: design, ambient and social cues. Design cues include both external variables (window displays) and internal variables (flooring), while social cues indicate to the presence

of other people, such as employees and other customers (Blázquez, 2014). Furthermore, research has supported that there is a positive, cumulating relationship between the stimulation of multiple senses (touch and smell; smell and hearing), specifically when the sensory stimuli were perceived as congruent (e.g., Mattila & Wirtz, 2001; Parsons, 2011).

The overall atmospherics are somewhat controllable in physical retail stores, but the problem lays in the subjective nature of human perception and aesthetic response (Lund, 2015); it is highly difficult to find sensory stimuli that pleases everyone and to which all consumers would respond in the desired way. Instead, they should be matched with the target market as well as possible. Parsons (2011), in his study of using a holistic approach to the fashion store atmosphere, argues that even though interactions between sensory stimuli have a major effect on fashion shopper's affect for a store, fashion retailers do not differentiate their use of stimuli as well as they could. Atmospherics also influence multiple different psychological and behavioural shopping outcomes, and for instance may result in an increase in willingness to buy and influence the perceived value customers gain from the shopping experience (Baker et al., 2009; Babin et al., 1994). Sensory elements in the store are especially important in the fashion industry, as consumers look for entertainment when shopping for clothing (Drapers, 2012).

2.2.4. Online experience

Online stores have evolved from non-existent to a place for information search and price comparison further to a place where more and more people inspect, experiment and purchase an increasingly big share of their goods and services. This evolvement has led to a need to research the online experience as a concept, as well as ways to make it better by for example reducing the perceived risk of purchasing, providing more accurate and clear information and improving the online atmosphere. Experience is even considered the "key battleground for today's global competition" (Weinman, 2015: 74), and therefore its importance should not be overlooked in the e-commerce context. Indeed, the lack of experiential information and physical interaction are claimed to be some of the main obstacles to buying fashion online (Merle et al., 2012; Blázquez, 2014). Merle et al. (2012) also support that the lack of direct experience may lead to less enjoyment for the consumer in the shopping process and greater perception of risk. Consequently, the experiential

factors of online shopping have been improving alongside with new technological advancements, as for example the availability of virtual fitting rooms and other interactive technologies have started to blur the boundaries between in-store and online shopping (Blázquez, 2014). It should also be noted that many experiential aspects of online shopping are out of the retailer's control, such as the delivery to some extent: a delayed or otherwise unsuccessful delivery due to bad postal systems might harm the experience significantly and reduce trust in the retailer.

Atmospherics play an important role not only in the physical retail context, but also in the online shopping environment (e-atmospherics). The effects of colour, music and light can be used somewhat similarly online as they are in physical stores, which is enabled by the innovations in digital technologies (Menon & Kahn, 2002). Furthermore, advances in technology make the online shopping experience more and more similar to the in-store experience, with interactive possibilities and for example virtual fitting rooms enabling personalization and leading to reduced perceived risks and stronger purchase intention (Blázquez, 2014). Included in the atmospherics are also web site aesthetics, which Cai and Xu, drawing on previous studies, define as “the degree to which the design of a Web site is visually attractive and conveys a clear and unique image” (2011: 161). They also identify the nature of web site aesthetics to be two-dimensional (ibid). Schenkman and Jönsson (2000) term these dimensions as appeal (impression, beauty and meaningfulness) and formal (order, legibility and complexity), whereas Cai & Xu (2011), referring to an influential study by Lavie and Tractinsky (2004), name the two dimensions as classical and expressive aesthetics.

Considering the swift adoption of different mobile devices with Internet access (e.g. smartphones, laptops and tablets), understanding the processing and perception of online information relevant to the consumers' shopping needs is also crucial (Mosteller et al., 2014). With the focus on verbal format of online product information, recent studies argue that consumers' perceived fluency of the online information is a key factor that shapes their “cognitive effort, positive affect and their choice outcome judgments in the virtual shopping context” (Mosteller et al., 2014: 2486). With higher expectations and tighter competition than before, consumers demand more from the shopping experience and require a more thorough and holistic approach to retailing.

2.2.5. Differences in experience

Meanwhile online and physical retailing channels have started to blend into a holistic web of shopping possibilities and channels of experience, some fundamental differences still exist. Hsiao (2009) summarizes some of these differences according to the shopping mode and main function: economic or psychological. The psychological function is fulfilled with consumers' feelings and perceptions for the shopping modes, whereas the economic function deals with the expenses of money and time (ibid). The summary can be seen below as Table 1.

Table 1: Attributes of shopping modes. Adopted from Hsiao (2009).

Attributes	Characteristics	
	Store shopping	Online shopping
Information Gathering/shopping	● Travel cost	● No travel cost
	● Travel time	● No travel time
	○ More shopping fun	○ Less shopping fun
	○ Less information uncertainty	○ More information uncertainty
Purchase/transaction	● Higher purchase price	● Lower purchase price
	○ Less distrust feelings caused by transaction	○ More distrust feelings caused by transaction
Delivery	● No waiting time for delivery	● Waiting time for delivery
	○ Less inconvenience caused by delivery	○ More inconvenience caused by delivery

●: Economic function, ○: psychological function.

Meanwhile the table provides a clear and good general division, it does not cover all the aspects and stays short especially on the psychological function. It also generalises some characteristics; for instance, the travel cost and time might be overstressed as negative, although most shopping trips occur with other activities (Hsiao, 2009) and sometimes shopping is even used as an “excuse” to get out and go somewhere (Mokhtarian, 2004).

Also, Hsiao's (2009) study experimented on bookstore shopping, not clothing retail, and therefore the focus is on different factors and might emphasise economic functions excessively. For example, data show that online fashion is considered as entertainment (psychological function), with consumers dedicating their leisure time searching for clothes online (Sender, 2011). Another important thing the table neglects are the social aspects of shopping: store shopping more often includes togetherness and social contact with employees, other shoppers and possible shopping companions than online shopping.

To sum up, with fashion retail likely the most important differentiating characteristics would be the possibility to try on, feel and inspect the products and the physical environment as well as the social experience and action-related aspects in store shopping, and lower costs (travel and purchase price) alongside with good accessibility in online shopping. Though, it should be noted that the boundaries and differences between online and store shopping have started to diminish and there are also multiple different ways in which these two can be combined. For instance, consumers can consult their friends for an opinion in social media as they shop in-store, go online shopping with friends from the home sofa or try on products in-store with friends and later purchase the products online.

2.2.6.Multichannel retailing

As an increasing number of fashion retailers do not operate purely on one channel but have at least supporting operations alongside (such as online stores or social media activity), it is essential to discuss multiple-channel strategies of retailing as well. The strategies can be labelled multi-, cross-, or omnichannel retailing (Beck & Rygl, 2015; Verhoef et al., 2015; Yrjölä et al., 2018). Beck & Rygl (2015) take a look at these concepts, and as there have not been clear definitions and distinctions between them before, they propose explanations for them. They define multichannel retailing as a "set of activities involved in selling merchandise or services through more than one channel or all widespread channels, whereby the customer cannot trigger channel interaction and/or the retailer does not control channel integration" (Beck & Rygl, 2015: 174). Cross-channel retailing's definition is otherwise the same as multichannel, but the customer can trigger either partial or full channel interaction and/or the retailer controls partial or full channel integration (ibid). Further, they define omni-channel retailing as selling through all widespread channels, with

the customer being able to trigger full channel interaction and/or the retailer to control full channel integration (ibid; supported by Yrjölä et al., 2018).

From the definitions it can be seen that the main distinction between one channel and multiple channels is the possibility for interaction with the channel for the customer and possibility to control channel integration for retailers, which make a huge difference in today's world of retailing. Multichannel retailers dominate the retail landscape today and operating multiple channels can have a positive effect on for instance the retailer's financial performance (Zhang et al., 2010). It also allows the retailers to combine collected information on clients' behaviour across channels – gaining a deeper understanding of the individual customer – and improve the customisation and value creation possibilities they have. Big data can be very helpful in designing the most suitable strategies for each customer, as the vast amount of information gained enables companies to produce very individualized offerings based on for instance time, location and channel (Bradlow et al., 2017; Grewal et al., 2017). Also, a growing segment of shoppers preferring multiple channels are a great motivation for retailers to expand their operations, as on average those customers spend more and have a higher lifetime value than single-channel customers (Zhang et al., 2010; Neslin & Shankar, 2009).

A study by Avery et al. (2012) suggests that the presence of a retail store does not decrease sales in the Internet channel in the short run but increases sales in both online and retail stores over time. However, even though the study was about a fashion and home furnishing retailer and matches the industry of this review, the results should not be generalised too broadly as the study involved only store openings by a single retailer. Furthermore, there are various different challenges in multichannel management, of which Neslin et al. (2006) identify five: data integration, understanding customer behaviour, channel evaluation, allocating resources across channels and coordinating channel strategies.

It should also be noted that online retail can be identified to have two forms, e-commerce and mobile commerce, which are differentiated by for instance the device being used, mobility and usage. However, to simplify this review those two are not separated in this context and the term online retail is used to refer to both e-commerce and mobile commerce.

2.3. Value creation in retail

Value creation is important for both customers and companies. Retail customers are value-driven in their actions, and the perceived value is an important part of the whole shopping experience and satisfaction. Albrecht even argues that “the only thing that matters in the new world of quality is delivering customer value” (1992: 7). Perceived value has historically been usually defined in terms of the ratio or trade-off between quality and price, but that definition seems to ignore personal differences in perception and is too narrow (Sweeney & Soutar, 2001).

Therefore, Sweeney & Soutar (2001) created a more holistic definition, which includes four distinct value dimensions: emotional, social, quality/performance and price/value for money. A more recent study by Smith and Colgate (2007) identifies four dimensions of value as well: functional/instrumental, experiential/hedonic, symbolic/expressive and finally cost/sacrifice value. These dimensions each explain consumer behaviour in their part, and the division helps retailers see the bigger picture of the value creation concept. Other, more recent studies have taken into account factors such as that consumers create value (Grönroos & Voima, 2013) and that consumer value creation is always dependent on interactions and exchanges between companies and consumers (Wikström & L’Espoir Decosta, 2018). It should also be noted that value co-creation happens both between the retailer and the customer, but also between customers.

In addition, Smith and Colgate (2007) have identified five different sources of value: information, products, interactions, environment and ownership transfer. Retailers can use these sources to co-create value with and for the customers more efficiently, focusing on each of the sources both separately and holistically, ideally leading to increased perceived value for the customer.

2.3.1. Value creation in physical retail

Alongside with the shift to online, the traditional, pure brick-and-mortar store format has become weaker and even outdated, and profitability has become a huge issue for many

businesses that do not evolve and follow time. However, there are ways in which store retailers can create extra value to attract customers besides online integration. The in-store experience has to be exciting, entertaining and enlightening to lure customers to come in (Sachdeva & Goel, 2015). As discussed earlier, the store experience is of great importance in generating value perceptions in retailing (Kerin et al., 1992), and especially in the fashion industry, it is the main way of providing value to the customers. As Sachdeva and Goel citing Pine (2010) state, “retailers should shift up from selling goods to services and services to experiences, which is what people value more today” (2015: 292). Besides, it could be said that value creation is the way of making the shopping experience best possible.

As mentioned earlier, the possibility to try on, feel and inspect the products and the physical environment as well as the social experience and action-related aspects in store shopping are some of the advantages store retail has and should focus on when creating value to the customers. The physical fitting of products, which seems to be quite important for fashion shopping, will most likely never be possible with online retail, although new technologies enable closer inspection of the products and ease of returning reduces risk of purchasing. Therefore, it should be made as convenient as possible in the stores, with for instance easily accessible and proper amount of fitting rooms.

Also, the physical shopping should be made more available and convenient for consumers, with for example new in-store technologies and advancements (Blázquez, 2014), and better locations. For example, self-checkout desks would reduce frustration of queuing and time cost of shopping, whereas store-ordering hubs or display screens would make products more accessible and convenient to purchase in-store (ibid). Kim & Yang (2018), drawing on various previous studies, also indicate that technology-based encounter is meaningfully related to different service outcomes such as service quality and customer satisfaction.

2.3.2.Value creation in online retail

The possibility to purchase products regardless of the time or location in addition to a broader selection of stores and products (Zhang et al., 2010), and often cheaper prices (Hsiao, 2009) attract consumers to shop online, thereby creating them value. Many retailers operate mobile apps alongside with online stores, and the process of making a transaction

has been made as easy as possible, anywhere you are. Another main thing leading consumers to shop online is the easy accessibility of information and different stores, creating a better transparency compared to physical stores (Brown et al., 2012). E-commerce also allows retailers to easily collect behavioural data from the customers, allowing them to produce personalized offerings for them (ibid), which creates value for both the retailer and the customer. Indeed, many online fashion stores use personalization in the offerings they show in their website as well as in cookie-based, purchased social media advertisements in other websites and apps, such as Facebook and Instagram.

A big obstacle to ordering fashion online is the delivery cost as well as the cost and inconvenience of returning the products, and therefore many retailers have started to provide free delivery and returns for the products, often after the total order has reached a certain price. Refund policies and protections are also used in most stores, leading to reduced risks to consumers, which is especially important as sometimes the issue is out of the retailer's or consumer's control (e.g. products lost in delivery). Another disadvantage is the lack of immediate and interactive emotional experiences (Brown et al., 2012), and related to that the lack of social contact and physical activity of the shopping process.

Online shopping value is also created with web site aesthetics, which Cai & Xu (2011) divide into classical aesthetics and expressive aesthetics, and different e-atmospherical elements. A study by Cai & Xu (2011) indicates that expressive aesthetics has a significant effect on shopping process value and shopping enjoyment, which is notably stronger for hedonic shopping. In general, the attractiveness, usability and special features (such as virtual fitting rooms, reviews and demonstrating videos) of online stores create value to consumers and should be used to improve the experience.

2.3.3. Differences between online and physical retail

Scarpi et al. (2014) found that customers shopping hedonically for fun are more likely to be loyal to a physical retail store than to an online store. Also, even though hedonic shoppers have traditionally been thought to be less price-conscious than goal-driven consumers (Tauber, 1972; Schindler, 1989), Scarpi et al. (2014) found this not to be true. However, their price consciousness seems to be for different reasons, with deal-hunting and spending

time for hedonic shoppers, and active search for low prices and efficient money allocation for goal-oriented shoppers. Furthermore, price consciousness seems to be stronger online due to the possibility to easily compare prices across retailers (Scarpi et al., 2014; Grewal et al., 2010).

Table 1 and other previous parts of this review show some important differences between online and physical shopping modes, from which many of the differences in value creation also arise. In addition to those mentioned, some essential benefits brick-and-mortar stores have over online stores include the time value of not having to wait for shipping which leads to immediate gratification, reduced shopping risks (e.g. safer payments), and better availability of personal service. A physical shopping experience often provides a more holistic activity with the social environment including other consumers and the employees as well as the shopping environment being more physical with more movement and broader availability of different atmospheric cues.

2.3.4. Value creation via online integration

Most studies about developing the physical store further recognise online integration as the most prominent way of keeping them relevant in the future as well. It is clear that in order to keep competing with online stores, it is highly recommendable for physical stores to operate multiple channels instead of just one. Several studies show that instead of cannibalisation of sales, an online store opening likely complements the physical store and leads to higher in-store shopping rates (e.g. Avery et al., 2012; Fornari et al., 2016; Lee et al., 2017; Moes & Van Vliet, 2017). However, Zhou & Wang (2014) found that online shopping stimulates shopping trips meanwhile shopping trips tend to suppress online shopping, although both variables are affected by for instance locational and personal variables.

A thorough look into the value creation process with online integration is beyond the scope of this review, as the focus is on other factors and the subject itself is very broad to be extensively thought through in this context. Nevertheless, its importance in developing pure brick-and-mortar stores and creating value should not be neglected, and the option of operating multiple channels simultaneously should also be kept in mind in this context.

2.4. Conceptual Framework

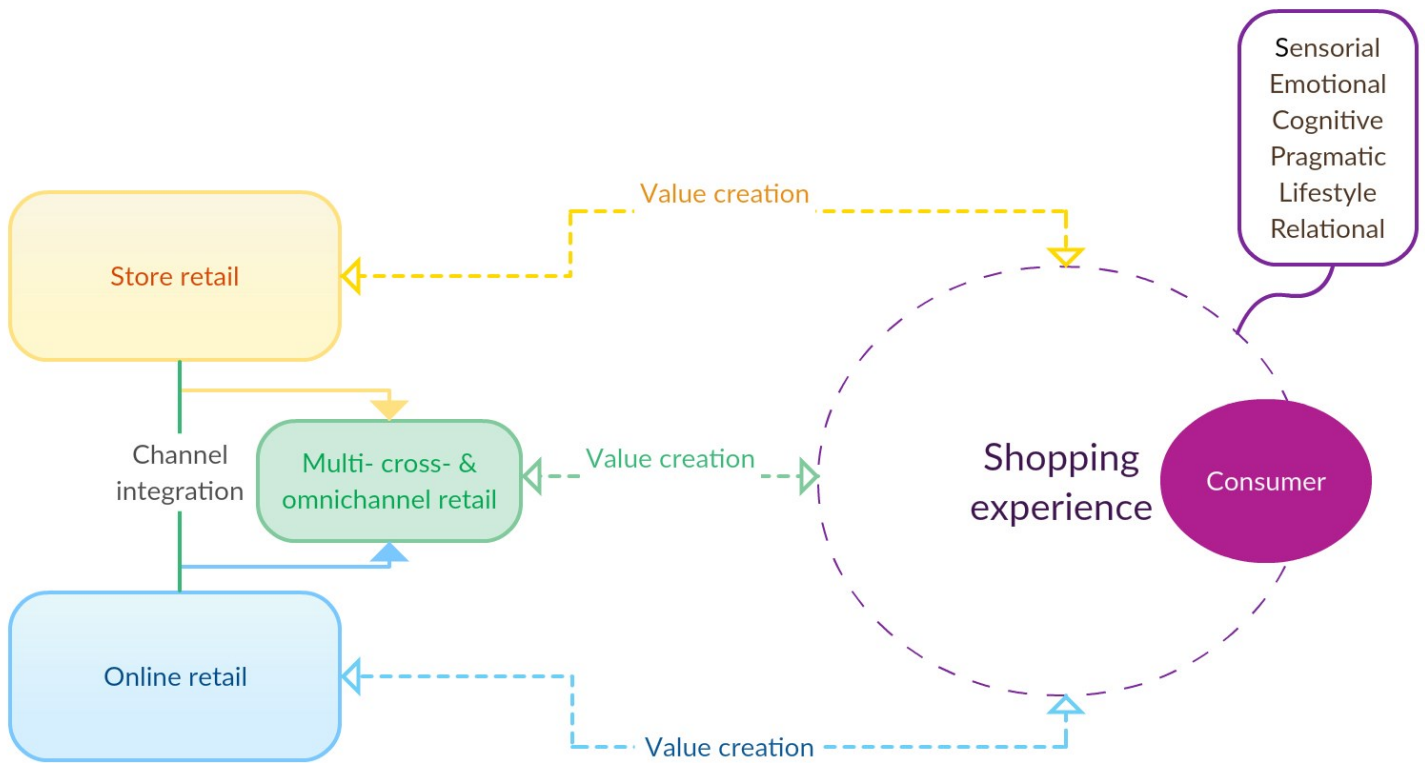


Figure 1: Conceptual framework on shopping experience and value creation in online- and store retail. Teräsniiska (2019)

This conceptual framework was developed based on the current knowledge on shopping experience, value creation and retail channels, which were introduced earlier in this literature review. The framework will help show the big picture of retail channels and their relationship to the consumer from the perspective of experience. It also shows that value creation is a set of dynamics including two-way roads, with value co-creation occurring between the retailer and the consumer. Also, value creation is the way for retailers to contribute to making the shopping experience best possible, and channel integration a way of combining the potential advantages of both online and physical retail channels, not to forget the influence of social interaction in the shopping process.

3. METHODOLOGY

The following part of the paper will discuss the methodology used in this research, including the collection of data, specifying the target group and analysing the collected material.

The purpose of this study is to look into the differences in shopping experience and value creation between physical and online fashion retailers, meanwhile exploring the phenomenon in general alongside with ways in which physical stores could use these differences to their advantage. As every consumer constructs their own journey individually, there undoubtedly exist many perspectives rather than just one reality or truth (Easterby-Smith et al., 2015). The topic is very complex and broad with limited understanding and with vast individual differences, and therefore a qualitative exploratory study is conducted, as it is a flexible and adaptable method (Saunders et al., 2009). This is done by combining existing literature with semi-structured interviews that were conducted to find insights on the topic and support for the findings that emerged from reviewing previous literature. The choice of methodology is further justified in the following sections.

3.1. Data collection

In order to explore the perceived differences in customer experience and value creation between physical and online clothing retailers, consumers of the young adult target group were interviewed for this research. The interview sample consisted of eight people within the age range 20-23, all currently living in Mikkeli but originally from elsewhere, and the sample has a 50% female and 50% male gender distribution (more information on the sample selection on the next section). The research is done with qualitative methods, since the topics discussed are very difficult to measure and the purpose is to discuss and explore them further. This also gives the possibility to gain new ideas of ways to develop physical stores further, and to get clear reasonings and justifications into the respondents' actions and opinions.

The most common way to conduct qualitative research is consumer interviews, which was also chosen to be the most suitable method for this study due to the possibilities it provides:

according to Gill et al. (2008: 292) “The purpose of the research interview is to explore the views, beliefs and/or motivations of individuals on specific matters”. As qualitative in nature, a non-standardized, one to one form of interviewing was chosen, as the data gained is likely to help reveal and understand the “what” and the “how”, but also emphasize on the “why” (Saunders et al., 2009). Also, even though focus groups could have had some advantages such as saving time, individual interviews were chosen as the data collection method in order to avoid peer pressure and to reveal personal opinions and views on the topics discussed (Cooper & Schindler, 2014). Furthermore, the interviews were conducted face-to-face, which enabled the interviewer to observe and record both verbal and nonverbal behavior (ibid), unlike with for example phone interviews.

3.1.1.Semi-structured consumer interviews

As the research method for this study, consumer interviews were conducted to gain insights, perceptions and support on the topics discussed. In order to gain valuable new ideas and not to restrict the flow of the interviews, semi-structured form is chosen. According to Rivano Eckerdal (2016), semi-structured interviews are a common form to conduct research. An interview guide divided into different themes of interest was used during the interviews, but the sequence of questions was not fixed, which allowed the interview to develop as a conversation and made it more flexible (ibid; Saunders et al., 2009).

The consumers interviewed in the study were recruited with a convenience sample within the student community of business students studying in the Aalto University School of Business, Mikkeli Campus. The participants were chosen by asking face-to-face and through social media for volunteers to take part in the study. To avoid possible gender biases and to be able to generalise the results regardless of gender as well as to observe possible differences between genders, the chosen sample distribution had 50% female and 50% male participants. The sample consisted of young adults (20-23 years old) in Finland, specifically from different cities (most respondents originally from the capital region) in Finland but currently studying in Mikkeli. This further enabled the possibility to compare consumer behaviour in different cities and also see whether the respondents' behaviour has changed with them moving to another city (which most stated as having worse availability of clothing than their hometown). Additionally, the young age of respondents might bring

more relevant insights into the future of fashion shopping and physical stores, as firstly, the chosen consumer segment is more accustomed to using technology and online stores, and secondly, they are the future consumers. Below in Table 2 you can find the demographic information of the respondents.

Respondent #	1	2	3	4	5	6	7	8
Age	20	23	21	21	20	21	20	20
Gender	Female	Male	Male	Male	Female	Male	Female	Female
Nationality	Finnish	Finnish/Dutch	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish

Table 2: Demographic information of interviewees

The interviews were conducted in a study room at the university campus, with only the participant and the interviewer present in the room. The language of the interviews was English due to the respondents speaking it fluently, and to avoid any issues regarding translation. All of the interviews were recorded and later transcribed with the help of the audio and a speech-to-text tool provided by Google Docs. This enabled the interviewer and respondent to fully focus on the interview, as there were no distractions or need to write down notes. The longest interview lasted for approximately 20 minutes, and the shortest for around 13 minutes. A saturation, which refers to a situation where no new information is gained by continuing the interviews (Koskinen et al., 2005), was reached at 8 interviews, which was the total number conducted.

The interview guide was designed with the help of qualitative research guidelines, with the first questions warming up the respondent. For example, the first question was “Where do you usually shop for clothing (online or offline, in department stores or small boutiques, etc.)?”. In the interview open questions were preferred, as they encourage the respondent to deliver a broad and developmental answer and may be used to obtain facts or reveal attitudes (Grummitt, 1980). These questions usually include one of the words “what”, “how” or “why” (Saunders et al., 2009). Examples from the guide (see Appendix 1) include the questions 1a. “What makes you shop there?” and 2d. “What factors in your favorite brick-and-mortar stores make the shopping experience pleasant and valuable for you?” Then, these were followed with more specific questions and narrowed down according to the interview question hierarchy (Cooper & Schindler, 2014).

4. FINDINGS

4.1. Data analysis

This chapter will introduce the main findings from the data collected with qualitative interviews. The data is analysed by themes that were discussed during the interviews, and it follows the same sequence as the interview guide/template. The main themes addressed in the interviews follow the research questions as well as the conceptual framework, giving more insights and support to the research covered in the literature review.

The interview questions were designed to follow the themes of interest of this study, and as the interviews were mainly based on the interview questions, the data was analysed by clumping relevant questions together as themes (see the questions in Appendix 1). Each of the interview transcripts were then coded using content analysis, which “follows a systematic process for coding and drawing inferences from texts” (Cooper & Schindler, 2014: 385). It is the primary method for analyzing open questions, as its breadth makes it a very flexible and extensive tool (ibid), and thereby is suitable to be used for analyzing the data gained in this study. Furthermore, coding “involves assigning numbers or other symbols to answers so that the responses can be grouped into a limited number of categories” (ibid: 379). The final result ended up being a color-coded table in Word with the columns representing each of the respondents and rows representing the themes.

Additionally, samples of the transcribed interviews are presented when suitable and needed in order to support the findings derived from the interviews, to give them more depth and to sustain the respondent's own voice.

4.2. Channel choice and consumer preferences

The interviews started with questions about shopping behaviour and channel choice, and this theme covers the questions 1, 1a, 2a, 2b and 2c (see Appendix 1). Most respondents clearly still preferred physical stores over online stores, even though the behaviour seems

to have changed for a few respondents due to poor availability of stores in the city they currently live in. Respondent 8 was the only one that was more likely to shop online rather than in physical stores. This was due to limited availability, *“there are not that many stores available in the city that I live in”*, and wider selection of clothes online: *“there’s just more options and a larger variety of clothes in online stores.”* Of the other respondents, two (#3 and #7) considered to shop around half of their clothes in physical stores and half online, to which both said the reason to be limited availability of physical stores in the area and wider variety online. If the respondents had both stores within their reach, all 8 of them would prefer to shop at a physical one.

There seems to be one reason above all for why people prefer physical stores, as the possibility to try on, feel and see the clothes was mentioned in all of the interviews as one of the most important factors:

“I like to see the products before I buy to know what I’m actually buying.” (#2)

“I really like the fact that I can touch and try out the clothes at that moment already and see what they look like.” (#7)

“I get to feel the clothes and the material they are made from.” (#6)

In some answers it was identified that the importance to try and see the product also depends on what you are buying and when. One commented that he would for instance *never* buy a suit online (#8), one thought that expensive products should be tested to ensure they fit (#3), and one stated that he would prefer physical stores if he really needed a product and wanted to guarantee its quality (#6).

Another thing the respondents considered important was a broad selection of clothes, both in why they prefer one physical store over another and why they like to shop at online stores. Additionally, the ease of shopping and convenience was, a bit conflictingly, mentioned multiple times in relation to both physical and online stores. With physical stores, convenience seems to derive from that you can instantly and easily see whether the clothes fit and are of good quality without having to struggle with returning:

“I feel like it’s more convenient to walk around the store and see what they have.”
(#1)

"If I order clothes from an online store, most of the time I have to return some of the items and it's usually difficult." (#5)

"I find well-fitting clothes to be a priority, so I find shopping in physical stores to be much easier and hassle-free." (#6)

Related to this is immediate access to the products, which half of the respondents mentioned as a good thing with physical stores, meanwhile waiting for delivery was identified as tedious (#1, #2). On the other hand, convenience is stated as important in online shopping in terms of effortlessness and easy accessibility without having to physically get to the store:

"I think it's easier and doesn't take that much effort as actually walking to the store and being there." (#8)

"I'm probably going to switch to online stores someday just because of the convenience." (#2)

"Sometimes you're just lazy or are trying to kill time, so then online shopping is very convenient." (#1)

Even though on average physical shopping was preferred more, half of the respondents thought that their online shopping is likely to increase, and even more thought it might increase, due to different reasons: convenience (#2, #4), improved websites (#1, #2, #7), better selections (#7, #8), free shipping and returns (#6) and lower prices (#6). Respondent 3 guessed that his shopping will increase in both online and physical stores alongside with larger disposable income in the future.

When asked about the use of multiple channels in shopping (for instance inspecting products online and purchasing in physical stores or the other way around), one respondent said he often uses multiple channels both ways (#2), two said they sometimes go online to find a better price for a product they saw in a physical store (#3, #4), one might order online but return the product to a physical store (#6) and one for example goes to physical stores after seeing commercials in Instagram (#8). There is a great number of ways in which different channels are combined and used simultaneously, and this can be seen even in a research with a sample of 8 interviewees. Although the focus of this study is on differentiating factors between two channels, this should also be kept in mind.

4.3. Value creation in physical stores

As one of the most important themes of the study, this part includes only the question 2 d.: “What factors in your favorite brick-and-mortar stores make the shopping experience pleasant and valuable for you?” One answer clearly stands out from the rest: customer service is the most valued thing among the respondents, with 5/8 of them mentioning good customer service as something that brings them value:

“I think the customer service is better than at most shops.” (#2)

“The customer service is very important and good.” (#3)

“Helpful staff are also an important part of the experience if I need a certain product that I don’t know a lot about.” (#6)

“That people are friendly and greet you when you go there and ask you if you need anything, good service is definitely a valuable thing.” (#7)

In addition to being one of the main things that differentiate physical stores from online stores, customer service is also highly valued in general, and a physical store with good service is preferred over one without it.

Furthermore, the respondents seem to value a clear, nice and neat layout of clothes and cleanliness, and want to avoid messiness and poor sorting in the store. Half of the respondents considered these things important, which makes it the second most common factor. Respondent 7 described it as: *“Definitely cleanliness and that everything is organized and also if they have nice visuals, like billboards and beautiful pictures is always nice”*, whereas *“I feel that Zara’s physical stores are often rather messy so then I get the feeling that I don’t want to even start going through the clothes.”* Related to this is store atmospherics (e.g. store design, feeling, light, music), which was recognized as valuable in half of the interviews. Respondents 1 and 7 valued good-looking interior design and visuals, meanwhile 4 and 1 mentioned that they value a nice, welcoming, classy or authentic feeling in a store. Also, it was notified that darkness (#4) and loud music (#7) harm the experience.

The third most common answer, present in 3/8 answers, is a wide variety of clothes available. As mentioned above, limited availability is one of the main reasons why the

participants would prefer online over physical stores, and that can be further explained by this: people seem to value a wide selection of clothes highly. It might be worth mentioning, that all 3 interviewees that answered wide variety to this question were male (3/4 of all), whereas none of the 4 females did. All three of them, but nobody else, also earlier in the interview told they like shopping in department stores, which might be a connecting factor for a certain type of shopper and/or a difference between genders.

Additionally, a preferred and pleasant style of clothes was mentioned by #2 and #5, whereas #3 really valued free parking, #1 valued clothes matched as outfits and #6 valued sales and discounts. Overall, it seems that different things bring pleasure and value to different people; the term value indeed is defined personally by whoever gains or co-creates it. Some things are generally valued more than others though, and therefore stores should grasp those things and realise them as well as they can.

4.4. Differences in fashion shopping experience

This part deals with the main differences that exist between physical and online fashion retailers, covering the questions 3.: "What do you think are the main factors that differentiate the online fashion shopping experience from the physical, brick-and-mortar shopping experience?" and 3 a.: "Do you have any ideas on how physical stores could use these things to their advantage to compete against online stores?"

As the main reason that drives the respondents to shop in physical stores, the possibility to feel, try on and see the product seems to also be the main differentiating factor between physical and online stores. It was visible in 6 out of 8 responses, and often included some note about online shopping being riskier in terms of physical fit.

"You get to see the clothing in real life and you get to touch the fabric and see how it looks on you, whereas in online stores you just get a picture of the clothing on someone else, and then you can't really tell how it looks like on you." (#1)

"If you buy from a physical store you can try on the clothes that you're going to buy, whereas it's going to always be a lottery if it's going to fit or not in online stores." (#5)

“I think the biggest difference is probably the fact that you are able to try on the clothes and right away get the feeling if you like it or not, because often when you order from online you need to return some of the clothes.” (#7)

In addition, customer service with the possibility to interact with real people was mentioned as a main difference in most of the interviews (6/8) and was especially present when discussing how the differences could be used to physical stores' advantage to compete against online. It was noted that customer service is not applicable to online stores as clearly (#1), and therefore is a valuable thing in physical stores, although respondent 3 identified the possibility of for instance chat bots in compensating for this difference in online stores. Respondent 6 summarised it as:

“Especially customer service is a factor I don't think online stores can provide just yet. Every physical store should invest in it, as it is a big factor in customer shopping experience.” (#6)

Furthermore, online shopping was said to be different in terms of clarity, convenience and effortlessness (#2, #4, #8). This was due to not having to leave the house (#1) and being able to see the products clearly and scan through them faster with for instance the help of the search bar (#4, #8). However, hassle with ordering and returning products online, distrust in online information and thereby increased risks of purchasing are also mentioned by respondents 1, 2 and 7.

One thing also worth mentioning is a contradiction that emerged between two answers. Meanwhile respondent 4 identified physical shopping to indulge more impulse purchases compared to online shopping, respondent 5 said it to be the other way around. This also illustrates the differences between different shopper types and individuals, which bring further difficulties into researching consumer behaviour.

When asked about using these differences to physical stores' advantage, various ideas emerged. Examples of these include improving customer service (mentioned in 5 out of 8 interviews), improving the layout of stores and avoiding messiness (#8, #4), coming up with something special (#7) and emphasising the fact that you will get no surprises and still can return easily for free to the physical stores (#5). As can be noted, customer service seems

to be the one factor the respondents considered most important and prominent in using the natural differences between stores to the physical stores' advantage and keeps on coming up as important from question to question.

4.5. Differences in hedonic and utilitarian value

This part covers the differences in shopping value in terms of hedonism and utilitarianism, with the question 4: "With fashion retail, do you think the value you get from shopping differs between physical and online stores in terms of hedonic- and utilitarian value?" When asked the question, the respondents were provided with definitions for the terms hedonic and utilitarian, which can be found from Appendix 1.

The answers to this question were quite interesting, as 6 out of 8 respondents considered physical shopping as clearly more hedonic and online shopping more utilitarian on average, meanwhile one thinks it can be either way (#2) and one thinks that online is clearly more hedonic for her with some exceptions (#1). In-store shopping was considered more hedonic in most interviews because of the physical shopping environment (#6) and atmosphere (#2), with the experience being more holistic (#2, #8) with a possibility to try on the clothes (#6) and feel the materials. Furthermore, the social aspects were considered as creating a more hedonic physical shopping experience (#4). However, respondent 1 found physical shopping to be more utilitarian because it enables an instant access to the product and thereby is more related to good-acquisition.

"I feel like the physical shopping experience is more hedonic as you can go around and feel the whole atmosphere and everything." (#3)

"I think the hedonistic approach is clearly more for the physical stores because you go there with your friends and put on clothes with your friends and have them comment them right away and you are having a good time." (#4)

"Yeah I definitely think that with physical stores there is more like the actual experience of going to the store, and it's not necessarily that you're looking for a certain product." (#8)

Furthermore, online shopping was considered more utilitarian by most respondents due to higher price-sensitivity (#4), satisfying a need (#3, #8), bigger assortment of products and easy comparability (#6). Alternatively, it was considered more hedonic due to convenience and ease (#2) as well as enjoyment of browsing and easily going through the products (#1).

“In most cases, online provides more utilitarian value thanks to the bigger assortment and easy comparability of products.” (#6)

“Usually online you’re not with your friends, at least I’m not, and you’re just looking for the specific item you need for the best price.” (#4)

“From the convenience standpoint I think online stores are more hedonic in that you can see more stuff at a glance.” (#2)

From here it can be concluded that the value gained from shopping varies in terms of form and source quite significantly, and the phenomenon is complex with considerable individual differences. As also suggested by previous literature, both physical and online shopping can be considered as creating more either hedonic or utilitarian value, although noticeably more people consider physical shopping as more hedonic.

4.6. Ideas for developing physical stores

This part covers the question 5: “What could physical stores do in order to get you to visit their store more often (for example different discounts or sales, events, even celebrities visiting the store or something else)?” It aims to provoke new ideas for developing the physical stores further, while gaining insights into what the respondents would find interesting.

The main attractor turned out to be sales, discounts and promotions, with all eight respondents mentioning them as something that would get them to visit the stores more often. Discounts were preferred for example due to the clothes bought being normally quite expensive (#1), and due to there often being lower prices available online (#6). Exclusivity of the offers, with the offers or products only being available in the physical stores was also stated as attractive (#5, #7).

In addition, three of the respondents included “something special” in their answers – meaning for example free products, extra services (a fashion consultation free of charge or something else) and special offers in the stores (#2, #3, #7). Another thing suggested is interesting events, for instance related to a membership of a store (#5, #7), and better, more central locations (#8). Also, more updates to the selection of clothes is mentioned to encourage visits to physical stores by respondent 3, who considered a small selection and lack of wanted clothes frustrating. Furthermore, advertising on social media (#8) or with text messages (#4) was considered effective in encouraging in-store visits, as it lets the respondents know about new products, discounts and campaigns. However, a celebrity or influencer in-store would not encourage visits for most respondents and could even discourage going there at that time, as it might make the store more crowded than usual and make the shopping experience less pleasant (#3).

4.7. Importance of technology in physical stores

This theme deals with questions about the importance of technology in-store and the use of social media as a part of the shopping experience, covering questions 6: “Do you think new technological advancements, such as self-checkout desks and display screens, are important in improving the in-store fashion shopping experience?” and 6 a.: “What about social media – do you for example inspect reviews or ask for your friends’ advice online when you shop for clothing?”

The answers are mostly in line with each other, with most respondents (6 out of 8) considering technological advancements as a nice extra or way to differentiate the store from others, but not really necessary or important. One respondent was very positive about in-store technology and thought it would be very interesting (#1), while one did not consider technology at all important (#3). It was noted that for example self-checkout desks could be very nice and useful in busier cities with more customers and in cheaper stores, as they would increase efficiency and reduce the time customers have to wait in line, although there should still also be normal checkout desks available (#3, #7, #8). However, they were thought not to suit higher-end, premium stores, as there the personal service is highly valued and human contact is expected (#3).

Some quite interesting ideas emerged within the interviews regarding new possible ways to integrate technology into improving the physical shopping experience. An in-store catalogue or smartboard with information about the availability of sizes and colors in-store and online was considered as very useful in improving the experience and increasing efficiency (#1, #7).

“That would be cool to apply technology to physical stores, for example if the physical store had an online catalogue of all the things they had, so that you wouldn’t have to go around the store, it would be really cool.” (#1)

“One thing that could be useful could be a smartboard thing inside the store that you could use to check if they have your size or like which sizes are available or if they would have different colors for certain products, that would be good to make it more efficient and you wouldn’t always have to find a salesperson to tell you that.” (#3)

In addition, respondent 1 mentioned the idea of a body-analysing mirror as a very interesting technological advancement, although considered it to be quite utopian:

“For example, if you go in front of a mirror and then the mirror analyzes your body and then it tells you what kind of clothes would suit you from this particular store, that would be cool.” (#1)

Furthermore, when asked about the use of social media platforms when shopping (with a focus on combining channels when in physical stores), most respondents did not consult their friends or ask about their opinion on clothes when shopping. Respondents 7 and 8 said that they sometimes for example send a picture to a friend to see what they think about a product though, specifically if the product is somehow unusual. Also, one respondent noted that he often reads reviews of products online before purchasing (#6). However, social media did not seem to be an important part of the respondents’ (physical) shopping experience, at least in the fashion industry.

4.8. Social interaction and physical movement

This section combines questions about the role of social interaction and physical movement in the shopping experience, covering questions 1 b., 7, 7 a. and 7 b. (see Appendix 1). Where the social part of shopping is concerned, 7 out of 8 respondents answered that they usually shop alone, but if not alone, with only 1 or 2 friends. Therefore, most of the social interaction they experience comes from the stores' employees and other customers rather than shopping companions.

When asked about whether social interaction in the fashion shopping process has decreased, most of the interviewees thought that to some extent it has, but the effect in life in general is very small even though it is nowadays possible to shop almost everything online. Most considered that if people shop a lot of their goods online, instead of shopping they do something else social with the time they would have used going around the physical stores. However, it should be noted that most of the respondents said they mainly shop alone, and the social aspects might be perceived differently for people who are more used to shopping with friends or family.

The answers regarding physical movement are quite similar, with half of the respondents thinking that it has decreased to an extent, but not too significantly considering people's lives in general. However, two of the respondents argued that physical movement has definitely decreased (#1, #6), especially with younger generations (#6), and two thought there is no effect on physical movement and people are active in other ways instead (#2, #8). It was noted here as well that the effect clearly depends on the extent to which you do your shopping online – the more you have shifted towards purchasing products online, the stronger the impact is on physical movement (and social interaction).

When asked about how important the respondents consider social interaction and physical movement to be in the shopping activity, most indicated that they are not very essential. Still, some considered them to be a nice extra (#3, #7), and at times also quite important as shopping is often quality time with family or friends (#5). Thus, it seems that for most of the respondents, social interaction and physical movement are not clear reasons why they would prefer shopping at physical stores nor something that would make online stores less attractive, although differences between people exist.

4.9. Store availability

The following section covers question 8.: “Do you usually have the stores you want to shop at within your reach, or do you usually have to travel to get what you want to shop? In general, what is a usual shopping trip like for you?” and deals with the effects of store availability on shopping behavior.

There was a clear trend present in the interviews: the choice of channel noticeably depends on store availability. Most of the respondents have lived in bigger cities, mostly in the capital region of Finland before moving to Mikkeli where they currently live in, which has affected their shopping behavior as well. The variety of stores and availability of favorable clothing was good and thus fashion shopping happened mainly in physical stores when they were back in their hometowns, but now that the availability of stores is much worse, online shopping has become more tempting. Also, 5 out of 8 respondents said they still usually shop at their hometown rather than the city they currently live in, and thereby still prefer physical stores over online stores even though the availability is worse.

It was also noted that the variety of stores is much broader online, as Internet enables access to stores otherwise unavailable (#1, #7). This includes both brands that do not have a brick-and-mortar store nearby, and stores that have not expanded their business to the country at all. Moreover, two respondents mentioned that they usually go shopping when they are travelling or on vacation, dedicating time to it in a different way than in Finland (#3, #8).

4.10. Locational differences

When asked about whether the interviewees have noticed locational differences or trends between cities or countries (question 9.), the answers present some interesting contradiction. Meanwhile 4 out of 8 respondents think people in smaller cities such as Mikkeli have adapted online shopping more strongly due to limited availability of stores, two of the

respondents think people in bigger cities such as Helsinki have adapted it more due to them being younger on average and more accustomed to technology. There are clearly two sides to this question, and it would be interesting to find out what the reality is – the respondents likely in a way represent both sides of this, as they are from a bigger city but also now face limited availability in their current location.

When comparing Finland to other countries, some respondents seem to think the shift to online has been somewhat weaker in Finland than it has been in many other developed countries. This was explained with the absence of the e-commerce giant Amazon in Finland in addition to most of the larger online stores having their warehouses in Sweden rather than in Finland which results in longer delivery times (#2). Slower deliveries combined with higher delivery costs and slower evolvement of the online shopping trend was also considered by respondent 5 as resulting in more popularity for online shopping in the United States than in Finland.

5. DISCUSSION AND ANALYSIS

This section will bring together the findings from the primary research conducted combined with the existing literature reviewed in the literature review section. This includes questions concerning the differences between physical and online fashion retailers in terms of shopping experience and value creation, and ideas on how to use these differences to the physical stores' advantage.

The results found from the primary research are mostly in line with what was discovered reviewing existing literature. As discussed in previous literature, the in-store shopping experience is holistic and instead of just being good acquisition, it involves factors like atmospherics, shopping environment, social contact and emotional attributes (e.g. Baker et al., 2009; Andreu et al, 2006; Song, 2009). This was supported by the findings, as the interviewees mentioned multiple different aspects behind their channel choice and shopping preferences, including most of the ones mentioned above. In the literature review it was also suggested that the main differentiating factors between physical and online shopping experience are the possibility to try on, feel and physically see the product for physical stores (e.g. Lund, 2015), and lower travel- and time cost (convenience) combined with good

accessibility for online stores (e.g. Hsiao, 2009), which is strongly supported by the primary research of this study.

Also, it was clearly visible in the interviews that the behaviour differs according to perceived availability and location: as all of the respondents have moved from a bigger city to study in a considerably smaller one with less and smaller stores, they either still prefer to shop at their hometown with better availability or have started to order more products online. In the reviewed literature, location was said to affect the shopping experience (Andreu et al, 2006) and better availability was noted to be a big benefit of online shopping (e.g. Zhang et al., 2010), in addition to lower travel- and time costs (Hsiao, 2009). This should constantly be kept in mind when looking into the phenomenon, especially when considering smaller peripheral markets, as the forces behind customer behaviour and preferences can be significantly different than for example in lively urban areas with remarkably more customers.

Moreover, although in the literature review the social aspects of shopping were considered as rather important especially in the physical shopping experience, the results gained from the interviews somewhat contradict with this. Most respondents did not perceive social interaction as an important part of shopping, at least as in something that would make them prefer physical shopping over online shopping. That was quite interesting, especially considering that customer service was the most popular answer in what makes the shopping experience pleasant and valuable in physical stores, and also the second most common response when asked about differences between online and physical stores. In fact, customer service was considered the most valuable aspect of physical shopping both when comparing to online stores and to other physical stores. It is noteworthy that although customer service turned out to be a very common answer in differentiating physical shopping from online shopping, most of the reviewed literature did not consider it nearly as important. Thereby, retailers should perhaps put even more focus in improving their customer service in differentiating the in-store experience from online stores, as it seems to be considered a main advantage for physical stores.

As discussed in previous literature, the physical shopping experience seems to be linked to hedonic value more strongly than online shopping, which is also supported by the interviews conducted. This should be kept in mind, in that physical stores should highlight the hedonic aspects of shopping experience even further, but also in that the utilitarian value could be

increased by improving the convenience and clarity of in-store shopping by for instance improving the layout of clothes and by avoiding messiness of the stores.

One point also worth mentioning is the role of technology in the physical shopping experience. Meanwhile technology-based encounter and for instance self-checkout desks were indicated as being important and improving customer satisfaction in previous literature (Blázquez, 2014; Kim & Yang, 2018), most interviewees (6/8) did not consider technology to be necessary in physical stores. However, it was also noted that technology could indeed increase efficiency and improve the experience in cheaper stores and busier cities, and that the perceived usefulness may vary between locations and depending on the purpose of shopping. Also, this response could be due to lack of experience with technological encounter in-store – as the phenomenon is quite fresh and not many stores have integrated technology to the in-store experience, at least successfully, the possible benefits might not yet be clear.

Furthermore, even though the sample of this research is quite small, a wide variety of different ways in which multichannel shopping occurs emerged from the interviews, which illustrates the complexity of the topic and the web of shopping channels. This complexity and possibilities of multichannel retailing were also strongly present in the existing literature (e.g. Zhang et al., 2010; Neslin & Shankar, 2009). It should be noted that most consumers do not think about channels as separate but feel the whole web of interaction and possibilities holistically, combining channels with one another and constantly getting exposed to a lot of different stimuli from multiple sources.

6. CONCLUSIONS

6.1. Main findings

This section presents the main findings of this study, covering the research questions on differences in shopping experience and value creation between online and physical clothing retailers as well as leveraging these differences to the physical store's advantage. Following the research questions and objectives, the main findings can be divided into three sections:

firstly, the main differentiating experiential factors; secondly, the differences in value creation; and thirdly, developing physical stores further.

The main differentiating factors between the in-store and online fashion shopping experience appeared to be the possibility to try on, feel and see the products in addition to customer service. On the other hand, online shopping is increasing due to convenience, effortlessness, clarity, efficiency and access to a larger variety of stores and clothes. The selection of clothes seemed to be an important factor both when comparing physical stores to one another and to online stores, and a wider selection of clothes is both a possibility for improvement for physical stores, as well as a strength for online stores.

Where value creation is concerned, customer service, a clear, nice layout of clothes and cleanliness of the store combined with pleasant store atmospherics and a wide variety of clothes were considered as valuable factors in physical stores. Furthermore, hedonic value is usually associated more with physical shopping and utilitarian value more with online shopping, while in some situations it can be either way depending on the person and the purpose of shopping. In-store shopping was considered more hedonic because of the holistic experience, physical shopping environment and atmosphere in addition to the social aspects of shopping, or sometimes utilitarian due to instant access to the product. On the other hand, online shopping was considered more utilitarian due to higher price-sensitivity, satisfying a need, bigger assortment and easy comparability of products, but also hedonic due to convenience and enjoyment of browsing. These differences could possibly be used to the physical stores' advantage, with improving and highlighting the hedonic side even more by increasing the factors that create hedonic value.

Multiple ideas emerged on ways to develop physical stores further to keep up with the increased expectations and competition. Firstly, different sales, discounts and promotions were stated in all interviews as a very good method in attracting people to shop in-store, especially combined with effective marketing about the campaign in for example social media to let the consumers know about it. The second most common answer was "something special" – indicating for instance free products, extra services such as a fashion consultation, exclusive products, offers or events or something other unique and interesting. Every retailer should develop their offering in ways to attract and match the target market, and by knowing their customers, retailers know the right "something special" to offer and

can differentiate themselves. In addition, wider and more frequently updated selections of clothes was considered something physical stores should focus on, as well as having more central locations in places where people often naturally pass by.

6.2. Managerial implications

Managerial implications of this study include insights into young adults' preferences, thoughts and behaviour regarding the shopping experience and value creation in physical and online fashion retailers. It gives an overview of the differences between physical and online stores and helps realize the reasons behind how consumers behave. These insights could be used as ideas on how to use the differences to the physical stores' advantage to develop the physical stores further and to answer to the increased competition. Especially the small businesses in peripheral markets should put extant attention to improving the physical shopping experience and co-creating more value with the customer, and this study could be used as a resource in identifying how this could be done.

Firstly, the possibility to try on, feel and see the products seems to be the main differentiator and also a strong reason why people prefer physical shopping over online stores. This possibility should be highlighted in the stores, for example by making the physical fitting of clothes as easy as possible. In addition, customer service was highly valued by the respondents, and should also be given the proper amount of effort by every physical fashion retailer, especially as it seems to be the clearest way in which retailers can improve and compete against online stores. Additionally, physical fashion retailers should adapt interesting sales and discount campaigns regularly, and effectively inform the customers about them for example in social media. Having "something special" was also mentioned by many respondents – retailers should come up with something unique and interesting to lure the customers in, for example free products, extra services or exclusive offers and events.

The reasons behind why online shopping is increasing were found to include convenience, effortlessness, clarity, efficiency and access to a larger variety of stores and clothes. While these can be said to mostly being natural advantages online stores have, physical stores could try to improve the in-store experience to increasingly meet these qualities by for example improving the selection of clothes, having more central locations and having clear

and attractive layouts. In addition, as online stores are improving alongside with advances in technology, some technological advancements could be adapted in-store as well to make the shopping experience better, more interesting and more efficient, although the primary research indicates technology is not perceived as very important in physical stores.

Also, the information provided in this study can be used to improve the physical store alongside with online integration and regardless of whether the retailer operates multiple channels already, even though the focus is on pure-play online and physical retailers. In fact, physical retailers should also at least consider adapting other channels to their operations, as that way they could benefit from the advantages of multiple different channels.

6.3. Implications for international business

Online shopping, customer shopping experience and the future of brick-and-mortar stores are all very global topics, and therefore this study is relevant to international business. This study carries practical implications for managers around the globe, that are battling with the increased expectations and needs of the modern customer. Also, the shift to online shopping is visible around the world, as is the centralization of stores, and especially small businesses in peripheral markets battle with staying profitable in the face of increased competition caused by online stores. Although the primary research is conducted on a small, quite homogeneous sample, the reviewed literature consists of international studies from around the globe, giving usable insights regardless of location. Also, this study could be used as a reference for similar research conducted in different markets, giving possibilities to explore whether there exist differences between locations and countries.

6.4. Limitations

The limitations of this study include the boundaries of a qualitative approach, which can be argued to be less reliable than doing research with quantitative methods. This is due to the amount of data being considerably smaller than in quantitative studies, which might affect

the possibility to generalise data to people outside of the sample. However, the goal of this study was to gain insights and ideas to explore the topic further rather than to reach statistically reliable generalizations, and therefore the qualitative approach was more suitable for this study.

As the most cost- and time-efficient option, convenience sample is used in conducting the interviews, as it would be highly difficult to conduct face-to-face interviews in multiple different cities, not to mention countries, within the time restraints. However, this might not be the most reliable and accurate sample type, which might have an effect in the extent to which the results can be generalised. Also, in-depth interviews could have been even more suitable for the purpose of this research than semi-structured interviews, but due to the difficulty of conducting and interpreting the data and the inexperience of the interviewer, a semi-structured form is chosen.

The primary research in this study is conducted on a sample of young adults (20-23 years old) in Finland, specifically from different cities in Finland but currently studying in Mikkeli. This can be argued to give a one-sided view on the issue, and the effect of this limitation should be noted when considering the applicability of this information to other countries or target groups. Anyhow, it should be noted that as studying international business in an international environment and on average liking to travel, most of the respondents are likely to be at least interested in an international point of view. In addition, the interviewees often travel between their original hometown and the one they study in, and therefore they can be argued to have a broader perspective on this topic as they have access to clothing retailers in different cities and experience from multiple locations. Online stores also enable an access to the same retailers regardless of the location, although the difference between how much people shop online and in physical stores seems to differ between locations (based on the interviews conducted). However, due to the qualitative, speculating and discussing nature of this study, these factors should not be too significant limitations, although they might affect the results to some extent.

Furthermore, the industry in question is clothing retail, and the applicability to other industries is unclear without further research. As stated earlier, the fashion industry is one of the slowest sectors in adapting online shopping (Blázquez, 2014), and is in many ways different from other industries.

Also, as the interviews were fully conducted in English and most of the respondents are not native speakers of English, this might have had an effect on how they responded. However, this effect is likely to be quite small, as all of the interviewees study in the BScBA-program fully taught in English, and therefore are accustomed to using English daily.

6.5. Further research

Related to the topic of this study alongside with its findings, further research is needed to fill up the gaps that were left unclear. Firstly, in order to reach reliable generalizations, further quantitative research should be done on specific ways of value creation for physical stores and their effect on the customer shopping experience. Furthermore, research should be done on the different ways how technology could be implemented into the physical shopping experience. More research is also needed on the future role of physical stores, as to how their role will evolve with time – will the physical shopping space for example only exist as a showroom, could there be some other forms in which physical shopping could be implemented, or will they continue staying strong as they are?

Also, as the focus of this research is on exploring the differences between physical and online clothing retailers, research with a more holistic approach considering the multichannel experience and the interplay between different channels should be conducted. Moreover, the possible mix of different channels that the future might bring should be researched, as well as different combinations of channels and the resulting consumer experience and perceived value. Additionally, as this study is conducted on the young adult consumer segment and the fashion industry at a specific location, conducting a similar study with different segments, industries or locations would increase the generalizability of the ideas and theories presented. For example, it would be very interesting to find out more thoroughly how the trend differs between urban and rural areas, and between different countries.

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APPENDICES

APPENDIX 1: Interview Guide

Age:

Gender:

Nationality:

- Brief introduction, reason for study, topic, anonymity, permission to record -
- 1. Where do you usually shop for clothing (online or offline, in department stores or small boutiques, etc.)?
 - a. What makes you shop there?
 - b. Do you usually shop alone or with friends (and with how many of them)?
- 2. Consider some of your favorite fashion retailers.
 - a. If they have a physical store and an online store both within your reach, which one would you prefer to shop at and why?
 - b. Is it common for you to use multiple channels, e.g. inspect in physical stores but purchase online or the other way around?
 - c. Do you think your shopping behavior will change over time? (staying loyal to brick-and-mortar, increasing online shopping even further or something else?)
 - d. What factors in your favorite brick-and-mortar stores make the shopping experience pleasant and valuable for you?
- 3. What do you think are the main factors that differentiate the online fashion shopping experience from the physical, brick-and-mortar shopping experience?
 - a. Do you have any ideas on how physical stores could use these things to their advantage to compete against online stores?
- 4. With fashion retail, do you think the value you get from shopping differs between physical and online stores in terms of hedonic- and utilitarian value? (e.g. Is hedonism more present in-store or online?)

Definitions:

Hedonism-based shopping's purpose is the shopping itself, it is experiential and deals with emotions such as pleasure, fantasy and fun.

Utilitarian-based shopping is described as rational, task-related, need-based acquirement of goods, and judgements are made on the product's ability to help accomplish a goal rather than its ability to bring pleasure or excitement.

5. What could physical stores do in order to get you to visit their store more often? (For example, different discounts or sales, events, even celebrities visiting the store or something else?)
6. Do you think new technological advancements, such as self-checkout desks and display screens, are important in improving the in-store fashion shopping experience?
 - a. What about social media – do you for example inspect reviews or ask for your friends' advice online when you shop for clothing?
7. Do you think the popularity of online stores has decreased social interaction (considering shopping companions as well as the stores' employees and other customers)?
 - a. What about physical movement – do you think it has decreased?
 - b. Do you consider these things important when fashion shopping?
8. Do you usually have the stores you want to shop at within your reach, or do you usually have to travel to get what you want to shop? In general, what is a usual shopping trip like for you?
9. Have you noticed any locational differences or trends regarding the evolving role of physical stores and popularity of online stores, for example when comparing Mikkeli to Helsinki or Finland to other countries?
 - a. Do you have any foreign background, have you lived abroad or do you like travelling?

LIST OF FIGURES

Figure 2: Conceptual framework on shopping experience and value creation in online- and store retail. Teräsniska (2019)

Table 2: Attributes of shopping modes. Adopted from Hsiao (2009)

Table 2: Demographic information of interviewees